

Charter Township of Kinross
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2008

Charter Township of Kinross

List of Elected Officials

Supervisor:	Jason Oberle
Clerk:	Marvin Besteman, Jr.
Treasurer:	Vicki Ulrich
Trustee:	Ed DeWitt
Trustee:	Herb Henderson
Trustee:	Fred McClendon
Trustee:	Dan Mitchell

Charter Township of Kinross

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	15
Proprietary Funds	
Statement of Net Assets.....	16
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	17
Statement of Cash Flows.....	18
Statement of Fiduciary Assets and Liabilities	19
Notes to the Financial Statements	20-34
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	35
Budgetary Comparison Schedule—Ambulance Fund	36
Budgetary Comparison Schedule—Police Fund	37
Other Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds.....	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds.....	39
Combining Statement of Net Assets - Nonmajor Proprietary Funds.....	40
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Proprietary Funds.....	41
Combining Statement of Cash Flows - Nonmajor Proprietary Funds.....	42
Report on Internal Control over Financial Reporting and on Compliance with Government Auditing Standards	43-44



239 N. Jebavy Drive
Ludington, MI 49431
LakeMichiganCPA.com
(231) 690-5217

Sarah L. Kanitz
Certified Public Accountant
skanitz@lakemichigancpa.com

INDEPENDENT AUDITOR'S REPORT

August 28, 2008

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, as of March 31, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2008 on our consideration of the Charter Township of Kinross' internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kinross' basic financial statements. The combining and nonmajor fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lake Michigan PA Services, PLLC
Ludington, Michigan

Charter Township of Kinross

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements. (A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kinross Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Townships can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.)

The Township as a Whole

Net Assets

The township's total net assets decreased -0.82% or \$99,015: decreasing from \$12,064,309 (after a prior period adjustment) at year end 2007 to \$11,965,294 at year end 2008. As we look at the governmental activities separately from the business activities: business activities total net assets decreased \$270,174 while governmental activities assets increased \$171,159. It is difficult to determine causation for such a nominal change, it is likely from the depreciation of assets.

Assets

The township's total assets have decreased by 1.3% or \$161,255, which is due mainly to the depreciation of capital assets in the business-type activities. Governmental assets increased by 3.5% or \$140,599 during the previous fiscal year, which includes a rise in current assets of \$212,476 and a decrease in net capital assets of \$71,877. In the business-type activities, current assets increased slightly, from \$1,494,996 to \$1,413,526. Capital assets decreased by \$383,324, which included an increase of \$577,773 in accumulated depreciation, offset by capital asset additions of \$198,452.

Total Common Cash

The township's total common cash has increased 6.6% or \$151,112 from April 1, 2007 to April 1, 2008. This can be explained by the planning process which has been implemented by the township board ensuring a fiscal plan extending beyond the current fiscal year. This type of planning will be a requirement of law in Michigan beginning in September 2008.

Between April 1, 2005 and April 1, 2008 the township's total common cash has increased \$930,756. This increase in total common cash can be attributed to an

Charter Township of Kinross

Management's Discussion and Analysis

increase of investments made possible by improved cash management, also, explained by the townships financial planning.

Liabilities

The township's total liabilities have decreased by 11.3% or \$62,240 during the previous fiscal year. This trend began in 2006 when the township board agreed to refinance some debt which extended beyond the useful life of the securing assets. Several notes payable were paid off in the 2008 fiscal year.

The table below shows the components of assets, liabilities, and net assets for the years ending March 31, 2008 and March 31, 2007.

	Governmental		Business-Type		Total	
	Activities		Activities			
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Current assets	\$ 1,622,528	\$ 1,410,052	\$ 1,494,996	\$ 1,413,526	\$ 3,117,524	\$ 2,823,578
Capital assets	2,508,071	2,579,948	6,826,769	7,210,093	9,334,840	9,790,041
Total Assets	\$ 4,130,599	\$ 3,990,000	\$ 8,321,765	\$ 8,623,619	\$ 12,452,364	\$ 12,613,619
Current liabilities	\$ 66,063	\$ 58,218	\$ 171,111	\$ 157,441	\$ 237,174	\$ 215,659
Long-term debt	59,063	97,468	190,833	236,183	249,896	333,651
Total Liabilities	\$ 125,126	\$ 155,686	\$ 361,944	\$ 393,624	\$ 487,070	\$ 549,310
Net Assets						
Invested in capital						
assets, net of						
related debt	\$ 2,476,075	\$ 2,515,306	\$ 6,649,370	\$ 6,984,453	\$ 9,125,445	\$ 9,499,759
Unrestricted	1,529,398	1,319,008	1,310,451	1,245,542	2,839,849	2,564,550
Total Net Assets	\$ 4,005,473	\$ 3,834,314	\$ 7,959,821	\$ 8,229,995	\$ 11,965,294	\$ 12,064,309

Future Considerations

Generally speaking, in regards to the overall financial position of the township, the township is financially healthy and growing fiscally through its planning and cash management activities. Notwithstanding, the financial situation the next four to five years of the townships finances are of the utmost importance. Large scale developers such as Mascoma and J.M. Longyear which have both notified the township of their desire to construct a Commercial Scale Wood to Ethanol Plant, shall require the township to pay consulting fees, legal fees, and planning fees well above normal operations. The common cash balance currently is sufficient for handling such unanticipated costs, although, a significant reduction in that balance may make such activities difficult to accomplish. Further, with such large projects knocking at the township's door, it is important to consider the increased demand on local services which will definitely follow such a project.

Charter Township of Kinross

Management's Discussion and Analysis

Statement of Activities

The following table is a summary of the activities of the Township for the years ending March 31, 2008 and March 31, 2007.

	Governmental Activities		Business-Type Activities		Total	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Charges for services	\$ 1,431,672	\$ 1,030,421	\$ 2,058,040	\$ 2,097,039	\$ 3,489,712	\$ 3,127,460
Operating grants and contributions	79,000	112,070	18,982	-	97,982	112,070
General Revenues						
Property taxes	408,539	402,063	-	-	408,539	402,063
Grants and contributions, not restricted to programs	501,663	503,504	-	-	501,663	503,504
Gain/(loss) on sale of capital assets	(17,468)	-	-	10,589	(17,468)	10,589
Investment earnings and other miscellaneous revenues	141,564	175,985	106,927	73,415	248,491	249,400
Total Revenues	2,544,970	2,224,043	2,183,949	2,181,043	4,728,919	4,405,086
Program Expenses						
General government	399,190	393,546	-	-	399,190	393,546
Public safety	314,465	330,145	-	-	314,465	330,145
Public works	3,881	47,049	-	-	3,881	47,049
Community and economic development	24,080	-	-	-	24,080	-
Health and welfare	1,152,149	1,000,351	-	-	1,152,149	1,000,351
Culture and recreation	55,190	55,458	-	-	55,190	55,458
Other	239,616	240,352	-	-	239,616	240,352
Interest	2,744	3,073	-	-	2,744	3,073
Recreation Center	-	-	132,284	124,137	132,284	124,137
Parks and Recreation	-	-	27,504	22,805	27,504	22,805
Chippewa County Fairgrounds	-	-	79,216	93,827	79,216	93,827
Golf Course	-	-	472,040	444,218	472,040	444,218
Public Works	-	-	1,925,575	1,884,262	1,925,575	1,884,262
Total Expenses	2,191,315	2,069,974	2,636,619	2,569,249	4,827,934	4,639,223
Transfers	(182,496)	(99,550)	182,496	99,550	-	-
Changes in Net Assets	171,159	54,519	(270,174)	(288,656)	(99,015)	(234,137)
Net assets						
April 1, 2007	3,834,314	3,712,188	8,229,995	8,518,651	12,064,309	12,230,839
Prior period adjustment	-	67,607	-	-	-	67,607
March 31, 2008	\$ 4,005,473	\$ 3,834,314	\$ 7,959,821	\$ 8,229,995	\$ 11,965,294	\$ 12,064,309

Charter Township of Kinross

Management's Discussion and Analysis

The Township's Funds

Our analysis of the Township's funds follows, with explanations of changes segregated by governmental activities and business-type activities. The fund financial statements follow the entity wide financial statements, and provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds for 2008 include the General Fund, Ambulance Fund, Police Fund, Golf Course Fund and Public Works Fund.

Governmental Activities

Governmental Activities include those accounted for in the major funds of the General, Police, and Ambulance funds. Nonmajor governmental funds include the Fire, Property Management, Drug Forfeiture, Road Maintenance, Snowmobile Grooming, and Public Improvement funds.

The Township's Governmental Revenues increased 14.4% primarily due to an increase from Ambulance revenues. This can be attributed to additional ambulance runs and slightly improved collections of outstanding accounts.

Expenses increased by \$121,341 or about 5.9% compared to the previous year primarily due to the increase in Ambulance activities. It is important to also note here that the 2% donation of \$54,000 from the Sault Tribe, for the purchase of a new ambulance, was used in June 2007 for the down payment on a new ambulance rig. The remainder of the expense for the Ambulance has been financed with a low interest, short term lease agreement.

In general, the governmental financial activities of the township are stable with little change annually other than regular increases in costs for employees, benefits and wages. Note: The full time township staff is primarily long term employees with an average longevity of more than 8 years, an incredible asset to the Township.

Business-Type Activities

The Township's business-type activities include the Fairgrounds, the Recreation Center, the Parks and Recreation department, and the two largest being the Public Works and Golf Course funds (which are major funds for the 2008 fiscal year). These funds, although they are used in the public interest, are not statutory requirements under Michigan Law.

Charter Township of Kinross

Management's Discussion and Analysis

Department of Public Works (DPW)

During 2008 fiscal year, operating revenues for DPW decreased by 0.3%, however, operating expenses increased by 2.2% which included a 154% increase in testing supplies for the water and waste water treatment facilities and utilities increased 13.6%. Overall, this slight increase in expenses and slight decrease in revenues has been absorbed by the overall fund balance of the department which experienced a decrease from FY2007 to FY2008.

Golf Course

During FY 2008, operating revenues for the Golf Course increased 0.8% while operating expenses increased 6.6%, which included a 36% increase in repairs and maintenance as well as a 22% increase in utilities. It is important to note that the old and aging equipment at the golf course needs to be replaced and its continuous use without replacement will continue to drive expenses in repairs and maintenance of the obsolete equipment.

Recreation Center

During the fiscal year the Township received \$13,880 in a 2% allocation from the Sault Ste. Marie Tribe of Chippewa Indians which was requested by the Township Board for the purchase of fitness equipment at our Recreation Center. Another donation of the Tribe of \$1,500 was used to assist in funding the Kids Fishing Day Program.

Utilities at the Recreation Center increased during FY2008 30.4% which is the major contributor to the overall 6.6% increase in operating expenses at the Recreation Center.

NOTE: Energy costs are on the rise and with confusion at all levels of government about the future of energy in America it is important to keep a watchful eye upon U.S. and Michigan energy policy and utility prices. This will likely become a greater expense in the future.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account various events that affected the budget during the year. Rising natural gas prices forced changes to nearly all township budgets during the winter months.

Other adjustments were made throughout the course of the fiscal year primarily due to receiving grants and donations which had an impact on the improvement and operations of the following funds; Fire, Ambulance, and Police; primarily by providing funds for the replacement of capital goods.

Charter Township of Kinross

Management's Discussion and Analysis

Capital Asset and Debt Administration

It is important to note in this section, that the Township created a Public Improvement Fund which requires its expenditures to be on capital assets, such as building or other public improvements defined by state law.

At the end of the 2007-08 fiscal year the Township had \$9,334,840 invested in a broad range of capital assets, including buildings, police, ambulance & fire equipment, and water and sewer infrastructure. The largest capital asset additions included the purchase of vehicles and an addition to the golf course building. The total notes and leases payable carried by the Township was \$209,395 at March 31, 2008; this is lower than most municipalities, giving us flexibility for the future and does not burden our budget with interest payments.

Compensated absences totaled \$100,782 at March 31, 2008.

The recent trend in debt administration by the Township has been downward—lowering the overall debt of the township—with the largest change occurring between FY2007 and FY2008 where the township reduced its debt by a net of \$80,887 or 27.8%.

Economic Factors and Next Year's Budgets and Rates

A major concern for the future continues to be state-shared revenues. Future cuts of state-shared revenues to the township will force reductions on already strained township services and may even cause the elimination of some.

At this time it is important to consider some recent actions of the township board. Although, the following actions occurred later than April 1, 2008 they will have an impact upon the future budgets. First, the establishment of an Industrial Development District and second, the request for a Renewable Energy Renaissance Zone: both items allow for abatement of local taxes. Although, these zones will likely promote economic activities inside the community they may provide additional activity of previously provided services. It will be best to track governmental activities like police, ambulance, and fire during the first couple of months of these new economic activities in order to determine what new resources may be needed to address any changes in demand for local services.

Previously noted concerns are the rising price of fuel and utilities such as electric and natural gas; areas which we have already experienced increases of more than 25%. Further increases will create financial strains on already limited budgets especially over the winter months.

Finally, with the elimination of the old theater building and building #152 the township has eliminated some long-term liabilities for maintenance, repairs, personal

Charter Township of Kinross

Management's Discussion and Analysis

injury, or all. It will be important to consider the future elimination of the old hotel, building #313, and other unoccupied former air force facilities which may create liabilities to the township.

NOTE: The implementation of a Downtown Development Authority including Commercial Property Plats 1 and 2 may provide additional dollars for the creation of a walking district and downtown area. This idea must be fully considered and if implemented it must be used as a tool for raising dollars to build infrastructure which can improve community life. Without such plans increases in user fees, millage, or taxes will be required to provide such improvements and services.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any question about this report or need additional information, we welcome you to contact the township office.

Charter Township of Kinross

Statement of Net Assets March 31, 2008

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 1,192,739	\$ 1,251,780	\$ 2,444,519
Receivables	280,433	162,080	442,513
Due from other governmental units	54,113	-	54,113
Internal balances	70,710	660	71,370
Prepaid expenses	24,533	32,408	56,941
Inventory	-	48,068	48,068
Total current assets	<u>1,622,528</u>	<u>1,494,996</u>	<u>3,117,524</u>
NONCURRENT ASSETS			
Non-depreciable	467,619	487,314	954,933
Depreciable, net of accumulated depreciation	<u>2,040,452</u>	<u>6,339,455</u>	<u>8,379,907</u>
Total noncurrent assets	<u>2,508,071</u>	<u>6,826,769</u>	<u>9,334,840</u>
Total assets	<u><u>\$ 4,130,599</u></u>	<u><u>\$ 8,321,765</u></u>	<u><u>\$ 12,452,364</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 32,117	\$ 97,484	\$ 129,601
Accrued expenses and other liabilities	24,206	22,671	46,877
Deferred revenue	415	-	415
Leases payable, due within one year	9,325	11,956	21,281
Bonds payable, due within one year	<u>-</u>	<u>39,000</u>	<u>39,000</u>
Total current liabilities	66,063	171,111	237,174
NONCURRENT LIABILITIES			
Notes payable	-	-	-
Leases payable	22,671	1,443	24,114
Bonds payable	-	125,000	125,000
Compensated absences	<u>36,392</u>	<u>64,390</u>	<u>100,782</u>
Total noncurrent liabilities	59,063	190,833	249,896
Total liabilities	125,126	361,944	487,070
NET ASSETS			
Invested in capital assets, net of related debt	2,476,075	6,649,370	9,125,445
Unrestricted	<u>1,529,398</u>	<u>1,310,451</u>	<u>2,839,849</u>
Total net assets	<u><u>\$ 4,005,473</u></u>	<u><u>\$ 7,959,821</u></u>	<u><u>\$ 11,965,294</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Activities For the year ended March 31, 2008

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
General government	\$ 399,190	\$ 15,110	\$ -	\$ (384,080)	\$	\$ (384,080)
Public safety	314,465	35,719	24,742	(254,004)		(254,004)
Public works	3,881	-	-	(3,881)		(3,881)
Community and economic development	24,080	-	-	(24,080)		(24,080)
Health and welfare	1,152,149	1,284,328	32,554	164,733		164,733
Culture and recreation	55,190	-	21,704	(33,486)		(33,486)
Other	239,616	96,515	-	(143,101)		(143,101)
Interest on long-term debt	2,744	-	-	(2,744)		(2,744)
Total governmental activities	2,191,315	1,431,672	79,000	(680,643)		(680,643)
Business-type activities:						
Recreation Center	132,284	19,792	18,982		(93,510)	(93,510)
Parks and Recreation	27,504	29,802	-		2,298	2,298
Chippewa County Fairgrounds	79,216	15,907	-		(63,309)	(63,309)
Golf Course	472,040	452,414	-		(19,626)	(19,626)
Public Works	1,925,575	1,540,125	-		(385,450)	(385,450)
Total business-type activities	2,636,619	2,058,040	18,982		(559,597)	(559,597)
Total government	\$ 4,827,934	\$ 3,489,712	\$ 97,982	\$ (680,643)	(559,597)	(1,240,240)
General revenues						
Property taxes, levied for general purposes				119,183	-	119,183
Property taxes, levied for specific purposes				289,356	-	289,356
Grants and contributions not restricted to specific programs				501,663	-	501,663
Unrestricted investment earnings				66,649	81,288	147,937
Loss on sale of capital assets				(17,468)	-	(17,468)
Miscellaneous				74,915	25,639	100,554
Transfers				(182,496)	182,496	-
				851,802	289,423	1,141,225
Change in net assets				171,159	(270,174)	(99,015)
Net assets at April 1, 2007				3,834,314	8,229,995	12,064,309
Net assets at March 31, 2008				\$ 4,005,473	\$ 7,959,821	\$ 11,965,294

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Balance Sheet Governmental Funds March 31, 2008

ASSETS

	General Fund	Ambulance Fund	Police Fund	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 520,831	\$ 130,717	\$ 180,063	\$ 361,128	\$ 1,192,739
Receivables					
Accounts	1,899	273,134	14	555	275,602
Interest	4,831	-	-	-	4,831
Due from other governmental units	34,987	-	15,503	3,623	54,113
Due from other funds	22,766	-	33,717	14,227	70,710
Prepaid expenses	7,782	8,150	3,870	4,731	24,533
Total assets	<u>\$ 593,096</u>	<u>\$ 412,001</u>	<u>\$ 233,167</u>	<u>\$ 384,264</u>	<u>\$ 1,622,528</u>

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$ 16,660	\$ 9,941	\$ 2,592	\$ 2,924	\$ 32,117
Accrued expenses and other liabilities	6,391	10,518	3,444	3,853	24,206
Deferred revenue	-	87,765	-	415	88,180
Total liabilities	<u>23,051</u>	<u>108,224</u>	<u>6,036</u>	<u>7,192</u>	<u>144,503</u>

FUND BALANCES

Reserved for:					
Prepaid expenses	7,782	8,150	3,870	4,731	24,533
Building improvements	144,807	-	-	15,700	160,507
Unreserved	<u>417,456</u>	<u>295,627</u>	<u>223,261</u>	<u>356,641</u>	<u>1,292,985</u>
Total fund balances	<u>570,045</u>	<u>303,777</u>	<u>227,131</u>	<u>377,072</u>	<u>1,478,025</u>
Total liabilities and fund balances	<u>\$ 593,096</u>	<u>\$ 412,001</u>	<u>\$ 233,167</u>	<u>\$ 384,264</u>	<u>\$ 1,622,528</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

Total fund balance—governmental funds \$ 1,478,025

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$ 5,468,010	
Accumulated depreciation	<u>(2,959,939)</u>	2,508,071

Certain ambulance revenue is not recognized until it is receivable in
the current period and therefore is shown as deferred revenue
in the governmental funds

87,765

Long-term liabilities, including leases payable, are not due
and payable in the current period and therefore are not reported
in the governmental funds.

Leases payable	(31,996)	
Compensated absences	<u>(36,392)</u>	(68,388)

Net assets of governmental activities in the Statement of Net Assets \$ 4,005,473

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the year ended March 31, 2008

	General Fund	Ambulance Fund	Police Fund	Other governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 119,183	\$ 5,067	\$ 201,665	\$ 82,624	\$ 408,539
State revenues	501,663	32,341	5,840	40,606	580,450
Charges for services	15,110	1,196,563	31,632	4,087	1,247,392
Rental income	-	-	-	96,515	96,515
Licenses and permits	130	-	-	-	130
Investment earnings	29,617	3,493	11,001	22,538	66,649
Contributions	-	213	-	-	213
Other	17,017	47,278	-	7,490	71,785
Total revenues	682,720	1,284,955	250,138	253,860	2,471,673
EXPENDITURES					
Current:					
General government	312,303	-	-	-	312,303
Public safety	-	-	245,978	43,497	289,475
Public works	3,881	-	-	-	3,881
Community and economic development	24,080	-	-	-	24,080
Health and welfare	-	1,117,257	-	-	1,117,257
Culture and recreation	-	-	-	17,639	17,639
Other governmental functions	100,043	-	-	139,573	239,616
Debt service					
Principal	-	64,086	-	7,265	71,351
Interest	-	2,571	-	173	2,744
Capital outlay	9,109	113,849	-	10,000	132,958
Total expenditures	449,416	1,297,763	245,978	218,147	2,211,304
Excess of revenues over (under) expenditures	233,304	(12,808)	4,160	35,713	260,369
OTHER FINANCING SOURCES (USES)					
Capital leases	-	38,706	-	-	38,706
Sale of capital assets	3,000	-	-	-	3,000
Transfers in	6,000	114,200	-	86,356	206,556
Transfers out	(256,484)	(18,044)	-	(114,524)	(389,052)
Total other financing sources (uses)	(247,484)	134,862	-	(28,168)	(140,790)
Net change in fund balances	(14,180)	122,054	4,160	7,545	119,579
Fund balance at April 1, 2007	584,225	181,723	222,971	369,527	1,358,446
Fund balance at March 31, 2008	\$ 570,045	\$ 303,777	\$ 227,131	\$ 377,072	\$ 1,478,025

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the governmental funds to the Statement of Activities
For the year ended March 31, 2008

Net changes in fund balances - total governmental funds \$ 119,579

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(187,396)	
Capital outlay	<u>132,958</u>	(54,438)

Governmental funds report the proceeds on the sale of assets as current financial resources. However, in the Statement of Activities, a gain or loss on the disposition of assets is recorded as the difference in the sale price over the depreciated value of the asset. (17,468)

Certain ambulance revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds. 87,765

The issuance of long-term debt, including capital leases, provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds.

The issuance of long-term debt increases long-term liabilities in the Statement of Net Assets	(38,706)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	71,351
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Compensated absences are reported in the Statement of Activities on an accrual basis, but are reported in the governmental funds as expenditures when used. 3,076

Change in net assets of governmental activities	<u>\$ 171,159</u>
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The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Net Assets Proprietary Funds March 31, 2008

	Business-type Activities - Enterprise Funds			
	Golf Course	Public Works	Nonmajor Proprietary Funds	Total
CURRENT ASSETS				
Cash and investments				
Unrestricted	\$ 37,522	\$ 1,057,303	\$ 152,887	\$ 1,247,712
Restricted	4,068	-	-	4,068
Receivables				
Accounts	1,625	145,225	-	146,850
Interest	-	15,230	-	15,230
Due from other funds	-	660	-	660
Inventory	47,506	-	562	48,068
Prepaid expenses	2,693	26,687	3,028	32,408
Total current assets	<u>93,414</u>	<u>1,245,105</u>	<u>156,477</u>	<u>1,494,996</u>
NONCURRENT ASSETS				
Capital assets				
Land	310,000	19,514	157,800	487,314
Land improvements	1,246,336	224,085	465,787	1,936,208
Buildings and building improvements	323,856	5,467,305	919,242	6,710,403
Equipment	675,566	1,267,893	127,786	2,071,245
State projects	-	1,151,397	-	1,151,397
Water system	14,792	1,089,268	-	1,104,060
Sewer system	-	2,732,180	-	2,732,180
Less: accumulated depreciation	<u>(1,419,648)</u>	<u>(6,783,530)</u>	<u>(1,162,860)</u>	<u>(9,366,038)</u>
Net capital assets	<u>1,150,902</u>	<u>5,168,112</u>	<u>507,755</u>	<u>6,826,769</u>
Total assets	<u>\$ 1,244,316</u>	<u>\$ 6,413,217</u>	<u>\$ 664,232</u>	<u>\$ 8,321,765</u>
CURRENT LIABILITIES				
Accounts payable	\$ 5,861	\$ 76,135	\$ 15,488	\$ 97,484
Accrued expenses and other liabilities	1,861	18,004	2,806	22,671
Leases payable, due within one year	11,956	-	-	11,956
Bonds payable, due within one year	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
Total current liabilities	<u>58,678</u>	<u>94,139</u>	<u>18,294</u>	<u>171,111</u>
NONCURRENT LIABILITIES				
Leases payable	1,443	-	-	1,443
Bonds payable	125,000	-	-	125,000
Compensated absences	<u>11,681</u>	<u>50,840</u>	<u>1,869</u>	<u>64,390</u>
Total noncurrent liabilities	<u>138,124</u>	<u>50,840</u>	<u>1,869</u>	<u>190,833</u>
Total liabilities	<u>196,802</u>	<u>144,979</u>	<u>20,163</u>	<u>361,944</u>
NET ASSETS				
Invested in capital assets, net of related debt	973,503	5,168,112	507,755	6,649,370
Unrestricted	<u>74,011</u>	<u>1,100,126</u>	<u>136,314</u>	<u>1,310,451</u>
Total net assets	<u>1,047,514</u>	<u>6,268,238</u>	<u>644,069</u>	<u>7,959,821</u>
Total liabilities and net assets	<u>\$ 1,244,316</u>	<u>\$ 6,413,217</u>	<u>\$ 664,232</u>	<u>\$ 8,321,765</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the year ended March 31, 2008

	Business-type Activities - Enterprise Funds			
	Golf Course	Public Works	Nonmajor Proprietary Funds	Total
REVENUES				
Charges for services	\$ 452,414	\$ 1,540,125	\$ 65,501	\$ 2,058,040
Local revenues	-	-	16,327	16,327
Other revenue	3,307	18,284	6,703	28,294
	<u>455,721</u>	<u>1,558,409</u>	<u>88,531</u>	<u>2,102,661</u>
OPERATING EXPENSES				
Wages and fringe benefits	172,128	652,815	90,188	915,131
Supplies	26,732	121,493	7,475	155,700
Utilities	24,811	240,058	36,359	301,228
Other services and charges	111,637	189,101	16,425	317,163
Repair and maintenance	55,280	150,190	9,170	214,640
Other expenses	4,499	126,091	14,965	145,555
Depreciation	67,524	445,827	64,422	577,773
	<u>462,611</u>	<u>1,925,575</u>	<u>239,004</u>	<u>2,627,190</u>
Total operating expenses				
	<u>462,611</u>	<u>1,925,575</u>	<u>239,004</u>	<u>2,627,190</u>
Operating loss	(6,890)	(367,166)	(150,473)	(524,529)
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(9,429)	-	-	(9,429)
Investment earnings	3,344	66,364	11,580	81,288
Total non-operating revenues (expenses)	(6,085)	66,364	11,580	71,859
Net income (loss) before transfers	<u>(12,975)</u>	<u>(300,802)</u>	<u>(138,893)</u>	<u>(452,670)</u>
TRANSFERS				
Transfers in	74,531	-	107,965	182,496
	<u>74,531</u>	<u>-</u>	<u>107,965</u>	<u>182,496</u>
Change in net assets	61,556	(300,802)	(30,928)	(270,174)
Net assets at April 1, 2007	<u>985,958</u>	<u>6,569,040</u>	<u>674,997</u>	<u>8,229,995</u>
Net assets at March 31, 2008	<u>\$ 1,047,514</u>	<u>\$ 6,268,238</u>	<u>\$ 644,069</u>	<u>\$ 7,959,821</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Cash Flows Proprietary Funds For the year ended March 31, 2008

	Business-type Activities - Enterprise Funds			
	Golf Course	Public Works	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 456,709	\$ 1,556,949	\$ 90,103	\$ 2,103,761
Payments to suppliers	(223,039)	(825,801)	(75,197)	(1,124,037)
Payments to employees	(173,635)	(643,377)	(89,597)	(906,609)
Net cash provided by (used for) operating activities	60,035	87,771	(74,691)	73,115
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	74,531	-	107,965	182,496
Net cash provided by noncapital financing activities	74,531	-	107,965	182,496
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Net purchases of capital assets	(95,032)	(89,527)	(9,890)	(194,449)
Principal paid on long-term debt	(48,241)	-	-	(48,241)
Interest paid on long-term debt	(9,429)	-	-	(9,429)
Net cash used for capital and related financing activities	(152,702)	(89,527)	(9,890)	(252,119)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	3,344	66,362	11,580	81,286
Net cash provided by financing activities	3,344	66,362	11,580	81,286
Net increase (decrease) in cash and investments	(14,792)	64,606	34,964	84,778
Cash and investments at April 1, 2007	56,382	992,697	117,923	1,167,002
Cash and investments at March 31, 2008	<u>\$ 41,590</u>	<u>\$ 1,057,303</u>	<u>\$ 152,887</u>	<u>\$ 1,251,780</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities				
Operating loss	\$ (6,890)	\$ (367,166)	\$ (150,473)	\$ (524,529)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation expense	67,524	445,827	64,422	577,773
Change in assets and liabilities				
(Increase)/decrease in receivables	988	6,694	1,572	9,254
(Increase)/decrease in prepaid expenses	1	(2,392)	67	(2,324)
(Increase)/decrease in internal balances	-	(660)	-	(660)
(Increase)/decrease in inventory	(4,434)	-	(56)	(4,490)
(Increase)/decrease in other assets	1,530	-	-	1,530
Increase/(decrease) in accounts payable	2,823	3,524	9,186	15,533
Increase/(decrease) in accrued expenses and other liabilities	(3,815)	5,829	658	2,672
Decrease in deferred revenue	-	(7,494)	-	(7,494)
Increase/(decrease) in compensated absences	2,308	3,609	(67)	5,850
Net cash provided by (used for) operating activities	<u>\$ 60,035</u>	<u>\$ 87,771</u>	<u>\$ (74,691)</u>	<u>\$ 73,115</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Fiduciary Assets and Liabilities

Agency Funds

For the year ended March 31, 2008

	Current Tax Collection Fund	Personal Property Tax Collection Fund	Total
ASSETS			
Cash and investments	\$ 200,516	\$ 42,032	\$ 242,548
LIABILITIES			
Due to other funds	\$ 66,064	\$ 5,306	\$ 71,370
Due to other governmental units	134,452	36,726	171,178
	\$ 200,516	\$ 42,032	\$ 242,548

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

I. Summary of significant accounting policies

The accounting policies of the Charter Township of Kinross have been adopted to conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Charter Township of Kinross.

A. Reporting entity

The Charter Township of Kinross, located in Chippewa County, is a municipal corporation governed by an elected seven member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable, by applying the criteria set forth in Statement No. 37 of the Governmental Accounting Standards Board. The following component units have been included in the financial reporting entity as blended component units.

Kinross Township Building Authority – The Authority is an entity legally separate from the Township, but which is governed by a board appointed by the Kinross Township Board of Trustees. The Authority's primary purpose is the procurement and management of debt financing for the Township. There was no activity in the Authority during the 2008 fiscal year.

Kinross Township Economic Development Corporation – The Economic Development Corporation is a legally separate non-profit entity whose primary purpose is to promote economic development in Kinross Township. The board is appointed by the Kinross Township Board of Trustees, it is financially accountable to the Township, and its annual budget is subject to the approval of the Kinross Township Board of Trustees. There was no activity in the Economic Development Corporation during the 2008 fiscal year.

Kinross Brownfield Redevelopment Authority – The Authority is a legally separate entity, which is governed by a board appointed by the Kinross Board of Trustees. The Authority is financially accountable to the Township. There was no activity in the Authority during the 2008 fiscal year.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Charter Township of Kinross reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ambulance Fund accounts for ambulance service revenues and ambulatory activities.

The Police Fund accounts for public safety service activities provided to the citizens of the Kincheloe area.

The Township reports the following major proprietary funds:

The Golf Course Fund accounts for the operations of the Oaks Golf Course.

The Public Works Fund accounts for the operation of the Township water system, sewage treatment services, and garbage collection for residents of the Kincheloe, Michigan area.

Additionally, the township reports the following fund type:

The tax collection agency funds account for all of the tax collection payments and disbursements to Charter Township of Kinross and other governmental units. The fiduciary funds are used to report assets held in a trustee or agency capacity for others are therefore are not available to support Township programs. These funds are not incorporated into the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund payables and receivables between the tax collection fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating items.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value. Pooled investment income from all funds is allocated to each fund based on average cash balances.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectibles. The total allowance for uncollectible accounts was \$252,106 at March 31, 2008, which is reflected in the governmental activities. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

The 2007 state taxable value for property within the Township totaled approximately \$41,662,131. The property tax levied consisted of 1.65 mills for the Township's operating purposes and 1.5 for road improvements, recorded in the General Fund and Road Fund, respectively. The extra-voted millage above 1 mill was approved by the electorate of the County of Chippewa as an allocation of the 15 mills provided by the State Constitution. The Township also has a special assessment district which levies taxes for police services, which is reflected in the Police Fund.

3. *Prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods. These items are recorded as prepaid expenses in both government-wide and fund financial statements.

4. *Inventory*

Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types.

5. *Capital assets*

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major capital outlays for assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-60
Building improvements	15-30
Vehicles	3-5
Office equipment	5-7
Equipment	3-7
Land improvements	5-20
State projects	20-30
Water system	5-50
Sewer system	5-50

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

6. Deferred Revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

7. Compensated Absences

The Township employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. The annual vacation benefits are credited to the employee at the end of each pay period, up to a maximum accrual of 240 hours. The Township also has a sick leave policy, which provides sick leave benefits to be earned at a rate of four hours per every 80 hours worked, up to a maximum accrual of 80 hours of sick leave. When an employee separates from service, the Township will pay the employee the unused vacation and sick time.

8. Interfund Transfers

During the course of normal operations, the Township has several transactions between funds, including expenditures and transfers of resources to provide services, purchase capital assets, and service debt. The accompanying financial statements reflect such transactions as interfund transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Net Asset Restatement

The beginning net assets of the governmental activities have been restated to properly reflect capital assets, net of accumulated depreciation. This balance was previously understated in the government-wide financial statements. The beginning net assets of the governmental activities have been restated as follows:

Net assets – Governmental Activities at April 1, 2007	\$3,766,707
Net book value of understated assets	<u>67,607</u>
Restated governmental net assets at April 1, 2007	<u>\$3,834,314</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Each March, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 through March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board of Trustees modified the original adopted budgets for several funds throughout the year.

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2008, the Township's deposits and investments were as follows:

	Primary <u>Government</u>	Fiduciary <u>Funds</u>
Deposits	\$ 789,349	\$242,548
Investments	<u>1,655,170</u>	<u>-</u>
Total	<u>\$ 2,444,519</u>	<u>\$242,548</u>

Cash of \$4,068 is restricted in the Golf Course Fund for purposes of repaying the 2004 capital improvement bonds.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

Note A – Deposits and investments – Continued

The Township investments at March 31, 2008 consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	\$ 266,269	5	Not rated	16.1%
U.S. Agency Obligations	1,365,853	157	AAA/Aaa	82.5%
Asset and mortgage Backed Securities	<u>23,048</u>	326	Not rated	<u>1.39%</u>
Total fair value	<u>\$ 1,655,170</u>			<u>100%</u>

Portfolio weighted average maturity 328 months

Interest Rate Risk

Through its investment policy, the Township does manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

The Township Board places no limit on the amount that the Township may invest in any one issuer.

Custodial Credit Risk - Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2008, \$269,190 of the Township's governmental funds' deposits were covered by federal depository insurance, and \$520,159 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

Investment custodial credit risk is the risk that in the event of the failure of a counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party. As of March 31, 2008, \$1,388,901 of the Township's investments was exposed to custodial credit risk.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

B. Capital assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 463,410	\$ -	\$ 2,000	\$ 461,410
Construction in progress	-	6,209	-	6,209
Total capital assets not being depreciated	463,410	6,209	2,000	467,619
Capital assets, being depreciated				
Land improvements	\$ 326,811	\$ -	\$ -	\$ 326,811
Buildings and improvements	3,528,413	-	442,760	3,085,653
Equipment	958,595	17,543	7,000	969,138
Office equipment	72,003	-	42,993	29,010
Vehicles	897,722	109,206	417,149	589,779
Total capital assets being depreciated	5,783,544	126,749	909,902	5,000,391
Less: accumulated depreciation	3,667,006	187,396	894,463	2,959,939
Net capital assets, being depreciated	2,116,538	(60,647)	15,439	2,040,452
Total governmental capital assets	<u>\$2,579,948</u>	<u>\$ (54,438)</u>	<u>\$ 17,439</u>	<u>\$2,508,071</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 487,314	\$ -	\$ -	\$ 487,314
Construction in progress	4,003	-	4,003	-
Total capital assets not being depreciated	491,317	-	4,003	487,314
Capital assets, being depreciated				
Land improvements	\$ 1,898,408	\$ 37,800	\$ -	\$ 1,936,208
Buildings and improvements	6,615,936	95,032	565	6,710,403
Equipment	2,030,880	43,438	3,073	2,071,245
State projects	1,151,396	1	-	1,151,397
Water system	1,090,395	14,679	1,014	1,104,060
Sewer system	2,725,280	7,502	602	2,732,180
Total capital assets being depreciated	15,512,295	198,452	5,254	15,705,493
Less: accumulated depreciation	8,793,519	577,773	5,254	9,366,038
Net capital assets, being depreciated	6,718,776	(379,321)	-	6,339,455
Total business-type capital assets	<u>\$7,210,093</u>	<u>\$ (379,321)</u>	<u>\$ 4,003</u>	<u>\$6,826,769</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

Note B - Capital assets – Continued

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 87,913
Public safety	26,015
Health and welfare	35,917
Culture and recreation	<u>37,551</u>
Total governmental depreciation	<u>\$187,396</u>

Business-type activities:

Recreation Center	\$ 15,297
Parks and Recreation	4,808
Chippewa County	
Fairgrounds	44,317
Golf Course	67,524
Public Works	<u>445,827</u>
Total business-type depreciation	<u>\$577,773</u>

C. Interfund receivables, payables, and transfers

The Township's interfund receivables and payables at March 31, 2008 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Current Tax Collection Fund	\$ 19,786
General Fund	Personal Property Tax Fund	2,980
Road Fund	Current Tax Collection Fund	11,901
Road Fund	Personal Property Tax Fund	2,326
Police Fund	Current Tax Collection Fund	33,717
Public Works Fund	Current Tax Collection Fund	<u>660</u>
		<u>\$ 71,370</u>

The outstanding balances between the funds result mainly from the time lag between the dates that the tax collection fund received the county settlement and the dates disbursed to the township from the tax collection fund.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

Note C - Interfund receivables, payables, and transfers – Continued

Interfund transfers during the 2008 fiscal year consisted of the following:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Fire Fund	\$ 59,941	Operating
General Fund	Ambulance Fund	88,578	Operating
General Fund	Recreation Fund	95,120	Operating
General Fund	Fairgrounds Fund	12,845	Operating
Ambulance Fund	Property Management Fund	18,044	Operating
Property Management Fund	Fire Fund	8,371	Operating
Property Management	Ambulance Fund	25,622	Operating
Snowmobile Grooming	General Fund	6,000	Operating
Public Improvement Fund	Golf Course Fund		Capital
		<u>74,531</u>	Improvement
		<u>\$389,052</u>	

D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Ambulance Fund Receivables	\$ 87,765	Earned, but unavailable
Property Management Fund	<u>415</u>	Unearned
Total	<u>\$ 88,180</u>	

E. Long-term debt

The following is a summary of long-term liability activity for the Township for the 2008 fiscal year:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
Governmental activities					
Notes payable	\$ 62,500	\$ -	\$ 62,500	\$ -	\$ -
Leases payable	2,142	38,706	8,852	31,996	9,325
Compensated absences	<u>39,468</u>	<u>-</u>	<u>3,076</u>	<u>36,392</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 104,110</u>	<u>\$ 38,706</u>	<u>\$ 74,428</u>	<u>\$ 68,388</u>	<u>\$ 9,325</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

Note E – Long-term debt – Continued

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
Business-type activities					
Bonds payable	\$ 192,000	\$ -	\$ 28,000	\$ 164,000	\$ 39,000
Leases payable	33,640	-	20,241	13,399	11,956
Compensated absences	<u>58,540</u>	<u>5,850</u>	<u>-</u>	<u>64,390</u>	<u>-</u>
Business-type activity long-term liabilities	\$ <u><u>284,180</u></u>	\$ <u><u>5,850</u></u>	\$ <u><u>48,241</u></u>	\$ <u><u>241,789</u></u>	\$ <u><u>50,956</u></u>

Long-term debt at March 31, 2008 consisted of the following:

Governmental activities:

Capital lease for ambulance; payable in monthly installments of \$887 through July of 2011; interest at 4.7%	\$ 31,996
Compensated absences	<u>36,392</u>
Total governmental activities long-term debt	\$ <u><u>68,388</u></u>

Business-type activities:

Series 2004 Refunding Bonds; payable in biannual installments through October 2008; interest at 2.85%	\$ 29,000
Series 2004 Capital Improvement Bonds; payable in biannual installments through October 2019; interest from 4.125-5.375%	135,000
Capital lease for golf beverage cart; payable in monthly installments of \$299 through August 2009; interest at 14%	4,330
Capital lease for golf carts; payable in monthly installments of \$1,529 through October 2008; interest at 4.596%	9,069
Compensated absences	<u>64,390</u>
Total business-type activities long-term debt	\$ <u><u>241,789</u></u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

Note E – Long-term debt – Continued

The 2004 Refunding Bonds and 2004 Capital Improvement Bonds are backed by the full faith and credit of the Township.

Annual debt service requirements for debt outstanding as of March 31, 2008 is as follows:

Year ending March 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2009	\$ 9,325	\$ 1,319	\$ 50,956	\$ 4,903
2010	9,778	866	11,443	3,099
2011	10,253	391	11,000	13,835
2012	2,640	20	11,000	13,594
2013	-	-	12,000	14,347
2014-2018	-	-	66,000	7,205
2019	-	-	15,000	403
	<u>31,996</u>	<u>2,596</u>	<u>177,399</u>	<u>57,386</u>
Compensated absences	<u>36,392</u>	<u>-</u>	<u>64,390</u>	<u>-</u>
	<u>\$ 68,388</u>	<u>\$ 2,596</u>	<u>\$ 241,789</u>	<u>\$ 57,386</u>

F. Leases receivable

The Township is a lessor in several lease agreements. For the year ended March 31, 2008, the Township recognized \$120,932 in rental income from these operating leases. The cost of property held for leasing included buildings and improvements of \$450,706, which is net of accumulated depreciation of \$668,951. The future minimum lease payments to be received as of March 31, 2008 are as follows:

	2009	2010	2011	2012	Thereafter
Buildings	\$ 81,806	\$ 81,286	\$ 73,646	\$ 73,646	\$ 72,479
Land	1,050	-	-	-	-
Tower space	20,881	12,472	10,488	3,566	-
	<u>103,737</u>	<u>93,758</u>	<u>84,134</u>	<u>77,212</u>	<u>72,479</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

G. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

H. Pension plan

The Township provides pension benefits for all of its elected officials and full time employees through a defined contribution plan. The Township's pension investments are held in trust by the investment fiduciary, John Hancock Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings and forfeitures of other participants' benefits prior to vesting. The plan is funded at a rate of 5% of eligible compensation and is available to employees after a period of 4 years, at which time they become vested. Employees may voluntarily contribute from 1-95% of compensation into the Plan. The Plan may be amended annually by the Township. The Township contributed \$51,654 to the Plan for the year ended March 31, 2008 on eligible pension compensation of \$1,015,353. Employee contributions during the 2008 fiscal year totaled \$5,344.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2008

I. Segment information – Enterprise fund

The Golf Course fund accounts for the activities of the Oaks Golf Course. Segment information for the Golf Course fund for the year ended March 31, 2008 is as follows:

Non operating revenue (expense)	\$ (6,085)
Operating income (loss)	(6,890)
Changes in net assets	(12,975)
Operating revenues	455,721
Operating expenses	462,611
Transfers in	74,531
Depreciation	67,524
Current assets	93,414
Capital assets	<u>1,150,902</u>
Total assets	1,244,316
Current liabilities	58,678
Long-term liabilities	<u>138,124</u>
Total liabilities	196,802
Beginning net assets	985,958
Net assets, invested in capital assets, net of related debt	973,503
Unrestricted net assets	<u>74,011</u>
Ending net assets	1,047,514
Cash provided by (used for):	
Operating activities	60,035
Noncapital financing	74,531
Capital financing	(152,702)
Investing activities	3,344
Beginning cash	<u>56,382</u>
Ending cash	\$ 41,590

Required supplementary information

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2008

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 96,576	\$ 109,576	\$ 119,183	\$ 9,607
State revenue	491,649	491,649	501,663	10,014
Charges for services	2,200	4,400	15,110	10,710
Licenses and permits	-	-	130	130
Investment earnings	17,700	20,400	29,617	9,217
Other	7,950	12,450	17,017	4,567
Total revenues	616,075	638,475	682,720	44,245
EXPENDITURES				
Current				
General government				
Township board	11,000	11,000	10,000	1,000
Supervisor	47,200	38,200	33,446	4,754
Clerk	44,335	44,835	39,477	5,358
Treasurer	30,450	33,050	30,735	2,315
Assessor	48,725	49,125	48,228	897
Accounting	36,610	36,610	35,858	752
Township hall	45,740	47,740	37,955	9,785
Board of review	1,575	1,575	1,031	544
Elections	3,750	3,750	2,049	1,701
Cemetery	5,870	8,070	6,732	1,338
Legal	10,000	10,000	5,167	4,833
Other general government	61,479	80,079	61,625	18,454
Public safety	4,000	4,000	-	4,000
Public works				
Highways and streets	8,675	9,075	3,881	5,194
Community and economic development				
Planning and zoning	25,900	45,900	24,080	21,820
Other governmental functions	113,600	111,700	100,043	11,657
Capital outlay	17,200	18,000	9,109	8,891
Total expenditures	516,109	552,709	449,416	103,293
Excess of revenues over expenditures	99,966	85,766	233,304	147,538
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	3,000	3,000	-
Transfers in	-	6,000	6,000	-
Transfers out	(226,342)	(256,484)	(256,484)	-
Total other financing sources (uses)	(226,342)	(247,484)	(247,484)	-
Net change in fund balance	\$ (126,376)	\$ (161,718)	(14,180)	\$ 147,538
Fund balance at April 1, 2007			584,225	
Fund balance at March 31, 2008			\$ 570,045	

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
Ambulance Fund
For the year ended March 31, 2008

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 4,700	\$ 4,700	\$ 5,067	\$ 367
State revenues	-	36,170	32,341	(3,829)
Charges for services	925,626	1,147,670	1,196,563	48,893
Investment earnings	-	-	3,493	3,493
Contributions	-	-	213	213
Other	21,636	23,636	47,278	23,642
Total revenues	951,962	1,212,176	1,284,955	72,779
EXPENDITURES				
Current				
Health and welfare	955,447	1,182,967	1,117,257	65,710
Debt Service				
Principal	18,000	65,393	64,086	1,307
Interest	2,520	2,520	2,571	(51)
Capital outlay	2,000	115,856	113,849	2,007
Total expenditures	977,967	1,366,736	1,297,763	68,973
Excess of revenues over (under) expenditures	\$ (26,005)	\$ (154,560)	(12,808)	\$ 141,752
OTHER FINANCING SOURCES (USES)				
Capital leases	-	45,206	38,706	(6,500)
Transfers in	66,807	114,200	114,200	-
Transfers out	(40,802)	(58,846)	(18,044)	40,802
Total other financing sources (uses)	26,005	100,560	134,862	34,302
Net change in fund balance	\$ -	\$ (54,000)	122,054	\$ 176,054
Fund balance at April 1, 2007			181,723	
Fund balance at March 31, 2008			\$ 303,777	

Charter Township of Kinross

Required Supplementary Information
 Budgetary Comparison Schedule
 Police Fund
 For the year ended March 31, 2008

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 207,568	\$ 207,568	\$ 201,665	\$ (5,903)
State revenue	5,100	6,675	5,840	(835)
Charges for services	33,438	33,438	31,632	(1,806)
Investment earnings	3,000	3,000	11,001	8,001
Total revenues	249,106	250,681	250,138	(543)
EXPENDITURES				
Current				
Public safety	260,397	261,972	245,978	15,994
Capital outlay	2,500	2,500	-	2,500
Total expenditures	262,897	264,472	245,978	18,494
Net change in fund balance	\$ <u>(13,791)</u>	\$ <u>(13,791)</u>	4,160	\$ <u>17,951</u>
Fund balance at April 1, 2007			<u>222,971</u>	
Fund balance at March 31, 2008			\$ <u>227,131</u>	

Other supplemental information

Charter Township of Kinross

Combining Balance Sheet
Other Governmental Funds - Nonmajor
March 31, 2008

ASSETS

	Special Revenue Funds					Capital Projects Fund	Total other governmental funds
	Fire Fund	Property Management Fund	Drug Forfeiture Fund	Road Maintenance Fund	Snowmobile Grooming Fund	Public Improvement Fund	
ASSETS							
Cash and investments	\$ 78,612	\$ 140,518	\$ 260	\$ 132,348	\$ 9,390	\$ -	\$ 361,128
Accounts receivable	425	130	-	-	-	-	555
Due from other governmental units	-	-	-	-	3,623	-	3,623
Due from other funds	-	-	-	14,227	-	-	14,227
Prepaid expenses	2,490	1,743	-	-	498	-	4,731
Total assets	<u>\$ 81,527</u>	<u>\$ 142,391</u>	<u>\$ 260</u>	<u>\$ 146,575</u>	<u>\$ 13,511</u>	<u>\$ -</u>	<u>\$ 384,264</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 836	\$ 2,076	\$ -	\$ -	\$ 12	\$ -	\$ 2,924
Accrued expenses and other liabilities	3,538	315	-	-	-	-	3,853
Deferred revenue	-	415	-	-	-	-	415
Total liabilities	<u>4,374</u>	<u>2,806</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>7,192</u>

FUND BALANCES

Reserved for:

Prepaid expenses	2,490	1,743	-	-	498	-	4,731
Building improvements	15,700	-	-	-	-	-	15,700
Unreserved	<u>58,963</u>	<u>137,842</u>	<u>260</u>	<u>146,575</u>	<u>13,001</u>	<u>-</u>	<u>356,641</u>
Total fund balances	<u>77,153</u>	<u>139,585</u>	<u>260</u>	<u>146,575</u>	<u>13,499</u>	<u>-</u>	<u>377,072</u>
Total liabilities and fund balances	<u>\$ 81,527</u>	<u>\$ 142,391</u>	<u>\$ 260</u>	<u>\$ 146,575</u>	<u>\$ 13,511</u>	<u>\$ -</u>	<u>\$ 384,264</u>

Charter Township of Kinross

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds - Nonmajor
For the year ended March 31, 2008

	Special Revenue Funds					Capital Projects Fund	Total other governmental funds
	Fire Fund	Property Management Fund	Drug Forfeiture Fund	Road Maintenance Fund	Snowmobile Grooming Fund	Public Improvement Fund	
REVENUES							
Property taxes	\$ 5,067	\$ -	\$ -	\$ 77,557	\$ -	\$ -	\$ 82,624
State revenues	18,902	-	-	-	21,704	-	40,606
Charges for services	4,087	-	-	-	-	-	4,087
Rental income	-	96,515	-	-	-	-	96,515
Investment earnings	5,204	10,402	-	6,009	166	757	22,538
Other	10	2,121	-	3,388	1,971	-	7,490
Total revenues	33,270	109,038	-	86,954	23,841	757	253,860
EXPENDITURES							
Current:							
Public safety	43,497	-	-	-	-	-	43,497
Culture and recreation	-	-	-	-	17,639	-	17,639
Other governmental functions	-	139,573	-	-	-	-	139,573
Debt service							
Principal	7,265	-	-	-	-	-	7,265
Interest	173	-	-	-	-	-	173
Capital outlay	10,000	-	-	-	-	-	10,000
Total expenditures	60,935	139,573	-	-	17,639	-	218,147
Excess of revenues over expenditures	(27,665)	(30,535)	-	86,954	6,202	757	35,713
OTHER FINANCING SOURCES (USES)							
Transfers in	68,312	18,044	-	-	-	-	86,356
Transfers out	-	(33,993)	-	-	(6,000)	(74,531)	(114,524)
Total other financing sources (uses)	68,312	(15,949)	-	-	(6,000)	(74,531)	(28,168)
Net change in fund balances	40,647	(46,484)	-	86,954	202	(73,774)	7,545
Fund balances at April 1, 2007	36,506	186,069	260	59,621	13,297	73,774	369,527
Fund balances at March 31, 2008	\$ 77,153	\$ 139,585	\$ 260	\$ 146,575	\$ 13,499	\$ -	\$ 377,072

Charter Township of Kinross

Combining Statement of Net Assets
Nonmajor Proprietary Funds
March 31, 2008

	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
CURRENT ASSETS				
Cash and investments	\$ 106,713	\$ 15,502	\$ 30,672	\$ 152,887
Inventory	562	-	-	562
Prepaid expenses	1,171	-	1,857	3,028
Total current assets	<u>108,446</u>	<u>15,502</u>	<u>32,529</u>	<u>156,477</u>
NONCURRENT ASSETS				
Capital assets				
Land	5,900	12,400	139,500	157,800
Land improvements	64,971	82,888	317,928	465,787
Buildings and building improvements	212,519	41,036	665,687	919,242
Equipment	55,293	-	72,493	127,786
Less: Accumulated depreciation	<u>(235,663)</u>	<u>(69,887)</u>	<u>(857,310)</u>	<u>(1,162,860)</u>
Net capital assets	103,020	66,437	338,298	507,755
Total assets	<u>\$ 211,466</u>	<u>\$ 81,939</u>	<u>\$ 370,827</u>	<u>\$ 664,232</u>
LIABILITIES				
Accounts payable	\$ 14,896	\$ -	\$ 592	\$ 15,488
Accrued expenses and other current liabilities	1,483	-	1,323	2,806
Compensated absences	<u>1,869</u>	<u>-</u>	<u>-</u>	<u>1,869</u>
Total liabilities	18,248	-	1,915	20,163
NET ASSETS				
Invested in capital assets	103,020	66,437	338,298	507,755
Unrestricted	<u>90,198</u>	<u>15,502</u>	<u>30,614</u>	<u>136,314</u>
Total net assets	193,218	81,939	368,912	644,069
Total liabilities and net assets	<u>\$ 211,466</u>	<u>\$ 81,939</u>	<u>\$ 370,827</u>	<u>\$ 664,232</u>

Charter Township of Kinross

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the year ended March 31, 2008

	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
REVENUES				
Charges for services	\$ 19,792	\$ 29,802	\$ 15,907	\$ 65,501
Local revenues	16,327	-	-	16,327
Other revenue	5,237	-	1,466	6,703
	<u>41,356</u>	<u>29,802</u>	<u>17,373</u>	<u>88,531</u>
OPERATING EXPENSES				
Wages and fringe benefits	70,596	4,632	14,960	90,188
Supplies	4,593	1,105	1,777	7,475
Utilities	20,583	6,674	9,102	36,359
Other services and charges	4,543	5,338	6,544	16,425
Repair and maintenance	2,214	4,440	2,516	9,170
Other expenses	14,458	507	-	14,965
Depreciation	15,297	4,808	44,317	64,422
	<u>132,284</u>	<u>27,504</u>	<u>79,216</u>	<u>239,004</u>
Total operating expenses				
	(90,928)	2,298	(61,843)	(150,473)
NONOPERATING REVENUES				
Investment earnings	8,411	923	2,246	11,580
	<u>8,411</u>	<u>923</u>	<u>2,246</u>	<u>11,580</u>
Net income (loss) before transfers	(82,517)	3,221	(59,597)	(138,893)
TRANSFERS				
Operating transfers in	95,120	-	12,845	107,965
	<u>95,120</u>	<u>-</u>	<u>12,845</u>	<u>107,965</u>
Change in net assets	12,603	3,221	(46,752)	(30,928)
	<u>12,603</u>	<u>3,221</u>	<u>(46,752)</u>	<u>(30,928)</u>
Net assets at April 1, 2007	180,615	78,718	415,664	674,997
	<u>180,615</u>	<u>78,718</u>	<u>415,664</u>	<u>674,997</u>
Net assets at March 31, 2008	\$ 193,218	\$ 81,939	\$ 368,912	\$ 644,069
	<u><u>193,218</u></u>	<u><u>81,939</u></u>	<u><u>368,912</u></u>	<u><u>644,069</u></u>

Charter Township of Kinross

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended March 31, 2008

	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 41,356	\$ 29,802	\$ 18,945	\$ 90,103
Payments to suppliers	(34,447)	(18,134)	(22,616)	(75,197)
Payments to employees	(70,322)	(4,651)	(14,624)	(89,597)
Net cash provided by (used for) operating activities	(63,413)	7,017	(18,295)	(74,691)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	95,120	-	12,845	107,965
Transfers from other funds	95,120	-	12,845	107,965
Net cash provided by noncapital financing activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(9,890)	-	-	(9,890)
Net cash used for capital and related financing activities	(9,890)	-	-	(9,890)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	8,411	923	2,246	11,580
Net cash provided by financing activities	8,411	923	2,246	11,580
Net increase in cash and investments	30,228	7,940	(3,204)	34,964
Cash and investments at April 1, 2007	76,485	7,562	33,876	117,923
Cash and investments at March 31, 2008	<u>\$ 106,713</u>	<u>\$ 15,502</u>	<u>\$ 30,672</u>	<u>\$ 152,887</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (90,928)	\$ 2,298	\$ (61,843)	\$ (150,473)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation expense	15,297	4,808	44,317	64,422
Change in assets and liabilities				
(Increase)/decrease in receivables	-	-	1,572	1,572
(Increase)/decrease in prepaid expenses	10	-	57	67
(Increase)/decrease in inventory	(56)	-	-	(56)
Increase/(decrease) in accounts payable	11,990	(70)	(2,734)	9,186
Increase/(decrease) in accrued expenses and other liabilities	341	(19)	336	658
Increase/(decrease) in compensated absences	(67)	-	-	(67)
Net cash provided by (used for) operating activities	<u>\$ (63,413)</u>	<u>\$ 7,017</u>	<u>\$ (18,295)</u>	<u>\$ (74,691)</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

August 28, 2008

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Kinross' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Kinross' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Kinross' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Charter Township of Kinross' financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Township of Kinross' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Kinross' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Charter Township of Kinross in a separate letter dated August 28, 2008.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lake Michigan PA Services, PLLC
Ludington, Michigan



239 N. Jebavy Drive
Ludington, MI 49431
LakeMichiganCPA.com
(231) 690-5217

Sarah L. Kanitz
Certified Public Accountant
skanitz@lakemichigancpa.com

August 28, 2008

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross for the year ended March 31, 2008, and have issued our report thereon dated August 28, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 1, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Kinross are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2008 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts for Ambulance receivables is based on a historical trend of uncollectible accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

During our testing of capital assets, we noted several instances in which the beginning asset values and accumulated depreciation changed from the prior year reports. We discussed this matter with the Township accountant, who indicated that this was a prior year error in the asset reports, which he corrected in the current year. The changes made reflect actual asset values, but required a net asset restatement at the beginning of the year. We would suggest that the fixed asset detail be reviewed for accuracy at the end of each year and any adjustments made to the records should be reflected as asset additions or disposals.

This information is intended solely for the use of the Board of Trustees and management of the Charter Township of Kinross and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Ludington, Michigan
August 28, 2008